

Supplier diversity: how health and life sciences executives can drive business and social value

Insights and observations
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Ernst & Young LLP (EY US) hosted its fourth roundtable of diversity, equity and inclusion (DEI) leaders in the health sciences and wellness sector. The discussion centered on supplier diversity. The purpose of these roundtables has been to exchange authentic insights and challenges with the objective of advancing the collective DEI agenda.

Key DEI insights that emerged from the conversation include:

- ▶ Supplier diversity is not a sprint, it's a marathon.
- ▶ Supplier diversity should be part of the organization's global policy.
- ▶ Internal roles (Procurement, DEI, Supply Chain, etc.) should be aligned to achieve supplier diversity objectives.
- ▶ Finding diverse suppliers with capacity requires a proactive approach.

Our sincere thanks to the many knowledgeable DEI leaders who joined this discussion.

Moderated by



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1 Supplier diversity is a marathon that starts with assessments.

From the very beginning, as an organization moves from “foundational” to “leading-practice,” it must set measurable goals. And it’s crucial to know where your organization is on the continuum. During the discussion, participants responded to four poll questions. When asked, “How mature is your supplier diversity initiative (from foundational to leading)?” 38% of respondents identified their organizations as “foundational.”

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“So a lot are just starting out, but this is a journey; this is a marathon, it is not a sprint,” said Theresa Harrison, EY Global Environmental Social Governance Services Leader, Supply Chain Services. The journey begins by measuring the gap between your company’s progress and that of key competitors and leading-class organizations, Harrison said. It’s the first step toward making a business case and securing executive sponsorship.

“It’s hard to just talk about supplier diversity to business leaders until you actually get them engaged in the actual activities,” she said. “Seeing the competition or lack of competition and how you could be first in the market has a lot to do with it as well.”

A combination of factors that bolster resilience creates a strong business case. For example, exploring new diverse suppliers can add agility to your supply chain. Their product or service may be more innovative – as your supply chain strategy changes, you may find diverse suppliers are more open to proofs of concept. Diverse suppliers also tend to be more localized to your manufacturing and distribution sites. Close-to-home suppliers independent of strained global supply chains are nimbler. Their outlook and point of view could equate to being more willing and able to try new approaches than your incumbent suppliers.

¹ “Creating a citizenship ‘ripple effect’ in Procter & Gamble’s supply chain,” *Procter & Gamble website*, [us.pg.com/blogs/procter-and-gamble-supplier-diversity](https://www.pg.com/blogs/procter-and-gamble-supplier-diversity), 12 April 2021.

² “Tech companies made big pledges to fight racism last year – here’s how they’re doing so far,” *CNBC website*, www.cnbc.com/2021/06/06/tech-industry-2020-anti-racism-commitments-progress-check.html, 6 June 2021.

Well aware of these benefits, top-ranked global corporations have been adding diverse companies to their supply base for years. Since 2008, P&G has spent more than \$2 billion with diverse-owned businesses globally every year and is on track to spend \$3 billion by 2030.¹ And Cisco Systems plans to commit \$50 million over five years to increase the diversity of its partner ecosystem.²

Advocacy organizations such as the Women’s Business Enterprise National Council (WBENC); the National Minority Supplier Development Council (NMSDC); and the Global Supplier Diversity Alliance (GSDA) can play an important role in the journey to implement a supplier diversity program, Harrison said. She advises meeting with advocacy organizations to find out how they might help. They may provide data that supports your business case, a supplier pipeline that supports your sourcing activity and programs to support your efforts to build successful teaming relationships.

What DEI leaders can do to build a strategy for greater supplier diversity

- ▶ Building diversity into the supply chain should be approached as an ongoing process.
- ▶ Assessing your organization’s initiatives against those of competitors and industry leaders is a first step.
- ▶ Understanding where your suppliers are and what they supply is key.
- ▶ Mapping suppliers and reviewing supplier sourcing approaches for critical parts are fundamental to driving resiliency.

Read EY thought leadership on diverse sourcing: [“How diverse sourcing can create more resilient supply chains” | EY - Global](#)

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EY Global Environmental Social Governance Services Leader, Supply Chain Services

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Supplier diversity must be part of the organization's global policy.

As mentioned, organizations are no longer keeping supplier diversity siloed in procurement. Driving diversity in the supply chain is becoming an organizational imperative.

Increasingly, Harrison said, organizations are pivoting from a mindset of pure cost savings to one that combines social value, sustainability and cost savings. Leading businesses are making it part of their global policy, implementing supplier diversity initiatives across all parts of the organization.

Roundtable participants also think of supplier diversity in expansive terms, according to results of a poll taken early in the conversation. When participants were asked what words come to mind when they think about supplier diversity, the word "economics" appeared most often. Others included partnership, mentoring, equitable rewards and vendor outreach.

DEI leaders should ask what part of supplier diversity can help fulfill the overall goals of a particular business function or help support the overall goals of the organization, Harrison said. "Tie it into your overall ESG strategy, the area where you can actually support your DEI initiatives, as well as your markets and your corporate responsibility."

Several leaders asked the group in general how they contend with the challenges inherent in achieving participation and accountability across the entire organization. "What do you do," one participant asked, "to make this a permanent requirement and an accountability?"

Harrison explained that supplier diversity initiatives are part of the overall EY Supply Chain Services scorecard. Another participant shared that his organization has spending commitments linked to their executive incentive programs. "We have some very aggressive goals, and that's why I'm trying to find as much access and strategy to connect with the diversity suppliers," he said. He added that the company's first priority is to local minority businesses and local impact.

One of the leaders stated that her organization ties its supply chain diversity initiative to their environmental, social and governance (ESG) strategy, to which another participant interjected, "It's coming!" The observation drew nearly unanimous enthusiastic expressions of agreement.

How a diverse supplier initiative can feed into broader goals

- ▶ Chief procurement officers can balance cost, quality, risk and diversity: Diverse suppliers often cost less, even though their product or service might be equal or superior to that of their competitors.
- ▶ Supplier diversity can be integrated into ESG goals, becoming another lever and generator of value.
- ▶ A global supplier diversity policy should apply to all business units and categories of spend.
- ▶ A robust reporting mechanism is essential to track spending for minority-owned suppliers across the supply base.

A suggested proven approach includes:

- 1 Make supplier diversity part of your global policy.
- 2 Make diverse suppliers part of your end-to-end procurement processes.
- 3 Monitor accountability efforts and ensure that inclusion strategies are being implemented.
- 4 Report impact and successes to senior leadership quarterly and/or annually.
- 5 Determine a dollar threshold to obtain supplier diversity sign-off to ensure the inclusion of a diverse supplier.
- 6 Require employee participation in supplier diversity activities.
- 7 Provide internal incentives/awards.

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Roundtable participant

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A shift in global policy requires alignment of the people within the organization.

Organizational alignment and commitment arose several times during the discussion, with participants mentioning challenges within their companies.

One of the leaders, who is part of her company's global organization, shared that her own area, sourcing, is driving the company's supplier diversity initiative. "Where we look at the suppliers we impact, where we manage that spending, we're doing well," she said. "There's goals and commitments within sourcing, but when we look at the rest of the organization ... there's not necessarily commitments at that level."

Another participant said her company's supplier diversity group has worked with the supply chain leadership team, which includes the CPO of supply chain, whom she described as very engaged. The group eventually started collaborating with enterprise leadership teams across all sectors of the global organization. "We were able to get them to co-own not only the goals but our strategies and initiatives, and help us in getting folks in place," she said. "We finally have our goals on the enterprise supply balance scorecard."

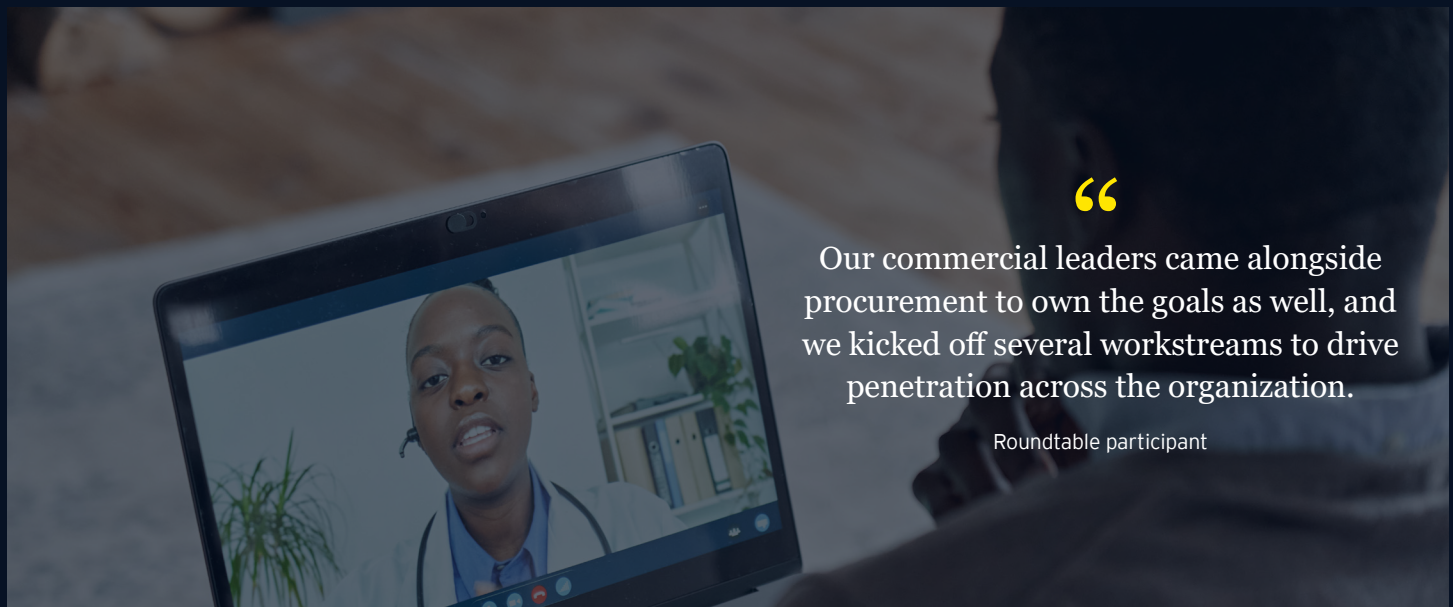
Her company evolved that model to the organization's pharma sector. "So the last year, our commercial leaders came alongside procurement to own the goals as well," she said, "and we kicked off several workstreams to drive penetration across the organization."

DEI leaders can utilize supplier diversity champions to help shift global policy by:

Aligning people within the organization to shift the company's strategic focus and embed diverse suppliers that meet or exceed business expectations

Clearly documenting roles and responsibilities for all areas of corporate procurement and supply chain management as they relate to supplier diversity, making diverse suppliers part of your end-to-end procurement processes

Positioning someone who is dedicated to, but not ultimately responsible for, delivering supplier diversity goals, then embed new approaches into business-as-usual, category strategy and all normal day-to-day activities



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Finding diverse suppliers with capacity proves challenging.

Most of the leaders seemed to agree that it's still a challenge to find certified diverse suppliers with capacity. But some shared proactive strategies that helped vendors reach a level that enabled the organization to utilize them to the fill the company's needs.

Referencing an earlier comment regarding "carving out work," one participant mentioned a procurement solution, using the example of a contract for snow removal. "Say you've got qualifications and a vendor can meet all of them, a minority MBE vendor who really wants to do the work but doesn't have the staff to do 100% of the contract," she said. "The procurement manager could give them 25% of the contract and give the majority vendor 75% – and slowly help build that smaller organization to at least sustain work to eventually be able to hire more folks," she said. "And then you can maybe give them 50% next time and then grow that vendor."

Peer moderator Janine Ting Jansen raised the point, "How do we get diverse suppliers to keep building capacity in their organizations, so they become not only great suppliers for us but for the entire network, internal and external, that we support? It's really about building that overall economic inclusion model within our supply chains that benefits all parties." Janine Ting Jansen is Global Diversity Equity Inclusion & Belonging Lead for Organon International.

Another participant mentioned success with a diverse supplier that her company started working with over 10 years ago. "We mentored with them, some sponsorship as well," she said. "In

addition to that, we do partner with a diverse manufacturing supply chain alliance, which is a development organization specifically for manufacturers, logistics and so forth. This is one of the businesses that completed that program."

The initial collaboration was a small-scale project, but the company continued to work with the supplier, she said. Today, the company is an eight-figure business and a key supplier in the organization's logistics space.

Harrison mentioned several programs that the EY organization offers to help diverse suppliers grow their businesses. For example, the [EY Entrepreneurs Access Network](#) and [EY Entrepreneurial Winning Women™](#) programs give diverse- and women-owned businesses greater access to EY clients, supply chain and capital, she said. These programs also help create a diverse business pipeline that allows clients and others in the supply chain to grow their diverse supplier utilization.

DEI leaders must utilize relationships and technology by:

Taking advantage of, or establishing, mentorship frameworks. They help diverse suppliers expand their capacity and maximize their performance. Building lasting relationships boosts the organization's bottom line, its reputation and its engagement with communities.

Making use of supplier diversity management tools, whether in-house or offered by a third party. Such tools provide a continuously growing database of certified diverse suppliers that have been vetted and approved as reliable potential candidates.

Integrating a peer-to-peer or enterprise resource planning system with a communication portal for the organization and the supplier. DEI teams can request and monitor supplier certifications and share pertinent information to ensure qualified and certified suppliers.

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Janine Ting Jansen, Global Diversity Equity
Global Inclusion & Belonging Lead, Organon International

Supporting diverse suppliers is now a business imperative. Diverse supply chains not only bring resilience and innovation to organizations, but they fuel the economic empowerment of communities and businesses worldwide.

4 key steps for organizations

1. Determine a business case by performing a gap analysis to gauge the company's supplier diversity program against both best-in-class organizations and competitors.
2. Integrate processes by implementing a global supplier diversity policy applicable to all spend.
3. Deploy robust peer-to-peer (P2P) technology or assess existing technologies for supplier diversity capabilities to capture information and provide vigorous reporting.
4. Align people within the organization to shift the company's strategic focus and embed diverse suppliers that meet or exceed business expectations.

Actions to take in the short term

- ▶ Adjust procurement requirements: Many companies have a requirement to include diverse suppliers in tenders based on a dollar threshold or a requirement in their tender process.
- ▶ Rethink insurance requirements: Finance departments often have somewhat arbitrary criteria for suppliers' insurance. For example, would it make a huge difference if the certificate was \$80m rather than \$150m?
- ▶ Review payment terms: Are they punitive? Could they be relaxed a little to take advantage of all the benefits of diversity in sourcing?
- ▶ Change RFPs: Many diverse companies are small to medium-sized enterprises that don't have bid response teams ready to respond immediately. Could you make RFPs shorter, less complex and less urgent?



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Theresa Harrison

EY Global Environmental Social Governance Services Leader, Supply Chain Services

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